



# COMMISSION NEWS

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ARIZONA CORPORATION COMMISSION, 1200 W. WASHINGTON, PHOENIX, AZ 85007

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TO: EDITORS, NEWS DIRECTORS  
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## **FORMER INSURANCE AGENT DEFRAUDS INVESTORS, STOCKBROKER AND OTHERS AGREE TO COMMISSION ORDERS**

PHOENIX – The Arizona Corporation Commission issued a default order and entered into three consent orders requiring several individuals and companies to repay investors a total of \$2.3 million and to pay \$95,000 in penalties. The Commission issued the default order on a former insurance agent to stop fraudulently selling a securities offering and spending investor money on his own personal expenses. In another case, a Sedona securities salesman consented to the Commission's revocation of his securities registration for mismanaging a client's multimillion dollar investment portfolio. Two other cases involved a Phoenix man and a diamond and jewelry company promoting unregistered securities and providing false information to investors.

### **Noel Cullison, et al.**

The Commission issued a default order against former insurance agent 61-year-old Noel Cullison of Phoenix and his companies for fraudulently offering and selling unregistered securities and spending investor funds on personal living expenses. The Commission ordered Cullison to pay over \$1.18 million in restitution and to pay \$50,000 in penalties. Cullison, although served with notice of the Commission's allegations, apparently chose to disregard the Commission's notice and did not request a hearing or file a response.

Cullison was a principal in two companies, Solutions, Sources & Consulting and Energy Savings Solutions, Inc. He was also an Arizona licensed insurance agent for Northwestern Mutual Life until July 2001 when he failed to renew his license.

Beginning in 1994, Cullison offered stocks, promissory notes and investment contracts, raising over \$1.7 million from 16 investors, most of whom were Arizona residents. The Commission found that most of the investors were

also insurance clients of Cullison and Northwestern Mutual Life Insurance Company.

Cullison offered the investors several different investment opportunities. With one investment, he told investors of his personal account at Northwestern Mutual that paid 8.8 percent, promising investors the same rate of return if they deposit funds in his account. Investors who accepted the opportunity received promissory notes signed by Cullison. The Commission found that Cullison had no such account at Northwestern Mutual.

In another investment opportunity, Cullison told investors that one of his companies had contracts to provide ice machines to U.S. Navy ships in San Diego. He claimed that investor funds would be used to build facilities to service the contracts or to purchase the machines. The Commission found that his company did not have any such military contracts.

Cullison solicited other investors with an opportunity to buy stock in his company, Energy Savings Solutions, where investor funds would be used market a product that would prevent power surges. The Commission found that investors did not receive any stock certificates, only confirmation letters and promissory notes signed by Cullison.

In yet another opportunity, Cullison told other investors that he could broker the sale of a group of nursing homes in the Midwest. Cullison informed investors that he would receive a fee upon the completion of the transaction, but that he would also have to use some investor funds to pay for expenses incurred in the arrangement of the deal.

The Commission found that investors, upon Cullison's suggestion, took money out of Northwestern Mutual life insurance policies to invest with Cullison, but did not realize that they would be charged interest for borrowing money from the policies.

Certain investors have either complained or brought suit against Northwestern Mutual. The insurance company has settled and repaid investors a total of \$574,000, which is a portion of losses suffered due to Cullison's investment recommendations.

### **Victor Monroe Stockbridge**

A 73-year-old Sedona man, Victor Monroe Stockbridge, agreed to a Commission order that revokes his securities salesman registration, requires him to pay \$200,000 restitution and to pay a \$20,000 penalty for mismanaging his client's investment portfolio. This consent order resolves the regulatory issues raised by the Securities Division without Stockbridge admitting or denying specific facts or conclusions.

The Commission found that Stockbridge took advantage of the trust and failing health of his client, a long-time Sedona resident who owned a multimillion dollar investment portfolio, but who was unable to manage her own financial affairs. After inheriting an investment account worth \$6.5 million, the client entrusted her account to Stockbridge, who sold the entire portfolio and reinvested the funds in variable annuity contracts. Both actions generated over \$450,000 in commissions with over \$300,000 going directly to Stockbridge.

The Commission found that in January 2000 Stockbridge changed the beneficiary of his client's annuity contract so that he and his family would receive over \$600,000 upon the client's death. Stockbridge removed his family trust's name as beneficiary in August 2001 – only after the Commission's Securities Division launched an investigation into Stockbridge's activities.

Stockbridge was a salesman for SunAmerica Securities, Inc., and worked in the office of Smith Financial Services, Inc., of Sedona. Both companies discharged him in March 2002 after a review of his client's account statements revealed that the Stockbridge Trust was a designated beneficiary of one of the annuity contracts.

After the Commission's Securities Division brought action against Stockbridge, the client brought her own legal action against Stockbridge and others. The client's matter was recently settled and the Division agreed to track Stockbridge's payment schedule. To date, Stockbridge has fully repaid his client as well as the penalty ordered in this Commission action.

### **David A. Fazio and Fountain Capital Management, LLC**

Fountain Capital Management, LLC, and 52-year-old David A. Fazio of Phoenix consented to a Commission

order imposing a \$15,000 penalty and requiring the return of over \$32,833 to investors for fraudulently selling unregistered securities. The restitution figure represents the amount of commissions Fazio earned selling the investments. Fazio agreed to the Commission's order without admitting or denying specific facts and conclusions contained in it.

Integrowth Financial Group recruited Fazio and others to open a Phoenix branch office in 1999. Fazio, along with others, subsequently established their own business, Fountain Capital Management, LLC. Fazio and associates sold viatical settlements, but then branched out into other unregistered and fraudulent activity, including a Ponzi scheme.

From about January 1999 through at least June 2000, Fazio and associates offered and sold to at least 67 Arizona investors over \$2.3 million in unregistered securities such as viatical settlement contracts, pay telephones, ATM machines and an investment trust.

The Commission found that Fazio provided inaccurate or fraudulent statements to investors and failed to provide investors with disclosure statements, prospectuses or financial statements. During this time, Fazio was not registered to sell securities.

The Commission found that of the four primary unregistered investments sold by Fazio, three of them – Future First Financial Corp., Alpha Telcom and Chemical Trust – were sued by other state securities regulators for fraudulent activity with receivers appointed to collect any assets from investors. A fourth investment, Integrated Cash Systems, defaulted on its investors' contracts. Integrated Cash Systems also has other securities orders against it.

Both Integrowth and Fountain Capital ran advertisements in Phoenix newspapers, offering investments with market returns as high as 40 percent at "no risk." Investors, however, were not made aware of the multiple orders filed in other states against Integrowth Financial and its various salespeople.

In August 2004, the Commission issued default orders against Integrowth Financial Group for ignoring previous

orders to stop selling unregistered securities. The Commission ordered Integrowth Financial Group and its representatives to return over \$2.3 million in investor funds and to pay a total of \$100,000 in penalties.

### **Christopher S. Mee and Mee Diamond & Jewelry, Inc.**

Christopher S. Mee of Phoenix, 36, and his company consented to the entry of a Commission order imposing a penalty of \$10,000 for selling unregistered stock in a diamond and jewelry company. The consent order resolves the matter, provided Mee follows through on payment of penalties. Mee consented to the order without either admitting or denying the Commission's findings.

Mee was principal and majority stockholder in Mee Diamond, Inc., an Arizona-based corporation doing business as Diamond Showcase. The company was a retailer, wholesaler and e-commerce marketer of diamonds and jewelry, but it has since ceased business operations and no longer owns any assets.

The Commission found that Mee solicited investors through general radio advertisements and unsolicited direct mailings, offering various investment opportunities in Mee Diamond. The company was seeking to raise more than two million dollars through a variety of investment programs. In the first program, investors could purchase preferred redeemable stock at one dollar per share. In the second program, investors could purchase investment contracts with a minimum \$50,000 investment. The funds would be used to purchase one or more diamonds at cost and then immediately consign the diamonds back to the company for sale. In the third program, investors could provide inventory financing with a minimum investment of \$25,000.

Mee Diamond represented that the offering qualified for an exemption from registration in Arizona, but the Commission found that the offering did not meet the exemption criteria. Based in part on the general solicitation, one accredited investor purchased a \$25,000 interest in Mee Diamond.

### **Caution for Investors**

Before investing, people should verify the registration of sellers and investment opportunities and investigate disciplinary histories by contacting the Arizona Corporation Commission's Securities Division at 602-542-4242 or toll free outside the Phoenix metropolitan area and Arizona at 1-866-VERIFY-9. The Division's investor

education web site also has helpful information at **[www.azinvestor.gov](http://www.azinvestor.gov)**.

The Commission's orders against the named respondents will be posted to the Securities Division's website under Enforcement/Orders as soon as they are signed by all of the Commissioners. To access the full text of the Commission's orders, please check the website in a few days:

**<http://www.azinvestor.gov/enforcement/enforce-orders.asp>**.

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